



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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October 18, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*
Auditor-Controller

SUBJECT: **DEPARTMENT OF PUBLIC HEALTH – DRUG MEDI-CAL PROGRAM
AUDIT (Board Agenda Item 5, August 13, 2013)**

On August 13, 2013, your Board instructed County Counsel (Counsel) and the Auditor-Controller (A-C) to report back in 30 days with:

1. An analysis of the County's legal obligations to contract with, and provide oversight for, local Drug Medi-Cal (DMC) providers, including an analysis of the services provided and the source of the obligation, if any, to provide those services; and
2. A determination of the County's legal authority to audit and terminate contracts with local DMC providers, including an analysis of the State's obligation in this regard and a discussion of how that obligation intersects or conflicts with the County's efforts.

In addition, your Board instructed the A-C to complete a program audit of the DMC Program, including a review of the recommendations for improvement that the Department of Public Health (DPH) noted in its July 26, 2013 memo to your Board. Your Board also instructed the A-C to include in its program audit, recommendations that would improve the integrity of all alcohol and drug programs administered by DPH.

This report covers the audit of the DMC Program and recommendations to improve the integrity of the DMC Program and other alcohol and drug programs administered by DPH, where applicable. Counsel will report separately on an analysis of the County's legal obligations to contract with, and provide oversight for, local DMC providers.

Counsel will also report on a determination of the County's legal authority to audit and terminate contracts with local DMC providers.

Background

The DMC Program is a State-sponsored program that has been in existence for 34 years in Los Angeles County. The DMC Program provides substance abuse treatment services to Medi-Cal clients. Through an agreement with the State, DPH is the fiscal intermediary of the DMC Program in Los Angeles County. During Fiscal Year (FY) 2012-13, DPH's Substance Abuse Prevention and Control (SAPC) Division contracted with 147 Program providers, with 350 locations, to provide services to approximately 30,000 clients. SAPC paid the Program providers approximately \$80 million during FY 2012-13. The DMC Program is funded with 50% State realignment funds and 50% matching Medicaid federal financial participation funds.

In July 2013, the State launched an investigation of the DMC Program to try to eliminate providers with fraudulent business practices. As of September 2013, the State suspended 53 County-contracted providers. SAPC subsequently discontinued payments to the suspended providers.

Scope of Review

Our review focused on evaluating four key areas of the DMC Program which can impact Program integrity and the ability to hold contractors more accountable. Specifically, we evaluated:

- The State's DMC provider certification process and oversight.
- The DMC Program claiming and disallowed billings collection process.
- DPH's oversight of the County-contracted DMC providers.
- SAPC's recommended enhancements to the DMC Program as noted in DPH SAPC's July 26, 2013 memo to your Board.

Results of Review

Our review noted opportunities for the State and SAPC to strengthen existing controls and develop new ones to enhance the integrity of the DMC Program, improve program services, and hold contractors more accountable. Although the scope of our review was limited to the DMC Program, DPH should evaluate which of the recommendations noted in our report are applicable to other DPH alcohol and drug programs. Our review noted the following:

The State needs to expand the DMC provider certification process.

The State's current process of background checks of potential DMC providers is limited and should be expanded to include formalized background checks that require a fingerprint check against the United States Department of Justice's criminal database. The background checks should also include a component that updates the State whenever criminal activity occurs involving the individuals holding key positions within the DMC providers' operations.

The State needs to enhance its oversight of the DMC providers.

The State's current plan is to conduct utilization reviews of the DMC providers once every three years. The State is considering instituting a risk assessment model to adjust the frequency of its reviews but was unclear on specifically how they plan to use the model. We recommend that the risk assessment model require the State to review high-risk providers more frequently than once every three years.

The State and SAPC need to establish a formal process to effectively communicate the results of each other's monitoring reviews and to provide updated dispositions of poorly performing DMC providers.

The State recently suspended 53 County-contracted DMC providers which represented approximately 36% of all County-contracted DMC providers. In notifying SAPC, the State did not provide the justifications for the suspensions or the timeframe for the State to complete its investigations. SAPC and the State need to implement a formal process to share monitoring results to improve Program oversight and minimize the County's fiscal liability.

SAPC needs to strengthen its claiming and disallowed billings collection processes.

SAPC does not have access to information that will allow it to validate claims, prior to submission to the State, to reduce the amount of provider disallowed billings. According to SAPC, approximately \$500,000 (6%) of its monthly claims totaling \$8.2 million is denied by the State and approximately 50% of the denied claims result in disallowed billings.

SAPC also does not aggressively collect disallowed billings from terminated DMC providers. As of September 2013, SAPC's accounts receivable balance included \$6.4 million due from DMC providers that were terminated from June 2008 through July 2013. SAPC has referred \$1.7 million to the Treasurer and Tax Collector (TTC) for collection, and SAPC needs to refer the remaining \$4.7 million to TTC.

In addition, in August 2013, SAPC requested the cancellation of \$8.4 million in long-term receivables that SAPC indicated were related to DMC billings that the State retroactively denied for Minor Consent services during FYs 2006-07, 2007-08, and 2008-09. SAPC filed an appeal with the State to contest these denied claims, and DPH and Counsel are currently negotiating a settlement with the State.

DPH needs to enhance its oversight of the DMC providers.

The DPH staff assigned to monitor the DMC providers have the appropriate qualifications to perform the reviews. However, according to DPH management, DPH has had difficulty finding qualified staff, resulting in a high number of vacant monitoring positions which has impacted DPH's ability to achieve its targeted monitoring goals. SAPC planned to conduct program reviews of every DMC provider once a year (approximately 130 reviews per year), and DPH's Contract Monitoring Division (CMD) planned to conduct fiscal reviews of every DMC provider once every three years (approximately 45 reviews per year). During FY 2012-13, SAPC conducted 113 program reviews and CMD conducted 20 fiscal reviews.

In addition, we noted that DPH has not sufficiently documented its monitoring resolution process and protocols to report the results of its monitoring reviews. Specifically, we noted:

- SAPC needs to improve the contract monitoring resolution process to ensure all monitoring results are resolved in a uniform manner.
- SAPC does not have written protocols for elevating specific monitoring results to DPH executive management and other County officials.
- SAPC needs to review provider benchmark performance more frequently than once a year in order to provide more timely technical assistance to the providers that are not achieving their targeted benchmarks.

Additional Concerns

The DMC Program is a complex alcohol and drug program with unique characteristics. During our audit of the DMC Program, we encountered difficulty in obtaining information timely or that was fully responsive to our requests.

Due to the limited time we had to complete our audit, we were not able to fully evaluate the causes of the delays to obtain information or the incomplete responses to our inquiries. In addition, the scope of our review was limited to a few key areas of the DMC Program. Therefore, DPH management should consider having an operational review conducted to evaluate additional areas for possible improvements.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed the results of our review with DPH management. DPH indicated that they will submit a response directly to your Board within 30 days. In addition, DPH has assured us that, in their response to our report to your Board, they will address the applicability of our recommendations to all alcohol and drug programs administered by DPH.

We thank DPH, Counsel, and the State for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB:ku

Attachment

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer, Board of Supervisors
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health
John F. Krattli, County Counsel
Public Information Office
Audit Committee
Health Deputies

DEPARTMENT OF PUBLIC HEALTH DRUG MEDI-CAL PROGRAM AUDIT

Background

The Drug Medi-Cal (DMC) Program is a State-sponsored program that has been in existence for 34 years in Los Angeles County. The DMC Program provides substance abuse treatment services to Medi-Cal clients. Through an agreement with the State, the Department of Public Health's (DPH) Substance Abuse Prevention and Control (SAPC) Division is the fiscal intermediary of the DMC Program in Los Angeles County. During Fiscal Year (FY) 2012-13, SAPC contracted with 147 Program providers, with 350 locations, to provide services to approximately 30,000 clients. SAPC paid the DMC providers approximately \$80 million for FY 2012-13. The DMC Program is funded with 50% State realignment funds and 50% matching Medicaid federal financial participation funds.

In July 2013, the State launched an investigation of the DMC Program to try to eliminate fraudulent providers. As of September 2013, the State suspended 53 County-contracted providers. SAPC subsequently discontinued payments to the suspended providers.

Scope of Review

Our review focused on evaluating four key areas of the DMC Program which can impact Program integrity and the ability to hold contractors more accountable. Specifically, we evaluated:

- The State's DMC provider certification process and oversight.
- The DMC Program claiming and disallowed billing collection process.
- DPH's oversight of the County-contracted DMC providers.
- SAPC's recommended enhancements to the DMC Program as noted in DPH SAPC's July 26, 2013 memo to your Board.

State Certification Process

All County-contracted DMC providers are required to be certified by the State to provide drug treatment services before they can be considered for a contract with the County. The State certification process requires the applicant to complete a four-page application that includes information such as the type of agency (e.g., not-for-profit), types of services to be provided (e.g., narcotic treatment), and a list of staff that will provide direct treatment services.

In addition, the State conducts an on-site inspection of the applicant's facility to evaluate fire safety, use permits, accessibility of services, and the physical condition of the facility. The State also reviews the applicant's policies and procedures covering topics such as program reviews, patient health records, administration, drugs, and basic services.

Once a provider is certified and requests a contract with the County, SAPC reviews additional areas to evaluate the qualifications of the potential County-contracted DMC provider. The additional areas further focus on the provider's business and medical qualification, and include the review of the provider's:

- Prior substance use disorder services. SAPC requires a minimum of four years experience, or the provider must pass additional financial tests.
- Financial reports.
- Required treatment certifications.
- Staffing levels to ensure they meet standards.

Our review of the State's DMC certification process noted opportunities for the State to enhance its certification process to improve the integrity of the DMC providers and services to the Program clients. According to the State, all names of owners, managing employees, and board members are checked against the Office of Inspector General's (OIG) List of Excluded Individuals and Entities (LEIE) as part of the certification process. SAPC should recommend to the State that it expand the DMC certification process to include background checks of all individuals holding key positions within a DMC provider's operations.

LEIE is a listing maintained by OIG of individuals or entities excluded from federally-funded health care programs. The individuals and entities were primarily excluded due to activities associated with health care program-related fraud. We recommend that the State expand background checks that require a fingerprint check against the United States Department of Justice's criminal database, and receive updates whenever criminal activity occurs involving the applicant and other organizational executives. In addition, the State should incorporate the additional checks used by SAPC, as noted above, so that the higher standards used by Los Angeles County are applied State-wide.

The State may recertify a DMC provider when one of the following occurs:

- The clinic changes ownership.
- The provider changes the scope of services such that the new services result in more restrictive or higher standards of Program services and/or increase treatment hours of clients.

- The provider has significant changes of the facility (i.e., substantial remodeling).
- The provider changes address and/or location.

The State relies on the DMC providers to self-report when one of these conditions occurs, which would trigger a recertification process. In addition, the State recently notified SAPC that it plans to recertify all DMC providers by January 2015. The State indicated that the DMC certifications do not expire and they do not have plans to add expiration dates. We believe that the State should strengthen its requirements and recertify each DMC provider on an ongoing basis.

Recommendation

1. **Substance Abuse Prevention and Control management continue working with the State and recommend the State to expand its certification process to include the following:**
 - a. **Background checks of individuals holding key positions within the Drug Medi-Cal business organization.**
 - b. **Additional checks used by Substance Abuse Prevention and Control, such as work experience, financial stability, staffing levels, etc.**
 - c. **Expiration dates on the Drug Medi-Cal certifications that will require the State to recertify Drug Medi-Cal providers on an ongoing basis.**

State DMC Program Oversight

The State conducts post-service post-payment utilization reviews (utilization reviews) of the DMC providers State-wide to verify documentation requirements are met, clients meet admission criteria, treatment plans exist, the providers' rendered services are in compliance with the claimed reimbursement, and there is an established basis for the recovery of disallowed billings. The State may suspend or decertify a DMC provider based on the outcome of the utilization review.

The State's current plan is to conduct utilization reviews of the DMC providers once every three years. According to the State, it is considering instituting a risk assessment model to conduct the utilization reviews, which could change the frequency of the reviews. However, the State was unclear how they plan to use the model. SAPC management should work with the State and recommend that it implements a risk assessment model to review high-risk providers more frequently than once every three years.

Recommendation

- 2. Substance Abuse Prevention and Control management work with the State and recommend to the State that it implements a risk assessment model to review high-risk providers more frequently than once every three years.**

State Remedies for Corrective Action

Generally, the State may decertify a DMC provider when one of the following occurs:

- The provider sells or otherwise transfers the clinic or property of the clinic as identified on the certification.
- The provider fails to provide the State with a copy of a valid fire clearance.
- The provider surrenders the clinic certification.
- The clinic provider is a sole proprietor and the sole proprietor dies.
- The provider actually or constructively abandons the certified clinic. Constructive abandonment includes insolvency, eviction, or seizure of assets or equipment resulting in the inability to provide DMC services.

The State may also suspend or decertify a DMC provider when the State suspects fraud or when the provider billed for services for a large number of patients that did not meet medical necessity for substance use disorder treatment services. The State may also suspend certification or decertify a provider when the State determines that the provider did not provide sufficient medical oversight, treatment plans were missing or not patient-specific, or there was a lack of patient-specific progress notes and documented services.

According to SAPC, during FY 2012-13, the State suspended one County-contracted DMC provider and did not decertify any provider. From July 27, 2013 to October 9, 2013, the State suspended 53 County-contracted DMC providers. Our review noted that SAPC and the State do not always effectively communicate the results of each other's monitoring reviews. According to SAPC, the State did not follow a formal process in notifying the County of the 53 recently suspended providers, provide justification for the suspension, or provide an estimated timeline of when the State plans to provide its final dispositions of the suspended providers. According to SAPC, recently the State has been proactive in notifying the County of suspended providers, but the County is still not receiving the reasons for the suspensions. SAPC needs to receive information from the State regarding suspended providers in a timely manner, in order to improve oversight of Program integrity and minimize fiscal liability for the County.

SAPC and the State need to establish a formal process to more effectively communicate the results of each other's monitoring reviews and to provide each other with updated dispositions of poorly performing DMC providers. In addition, SAPC indicated that they usually do not follow-up to ensure that DMC providers correct the State findings. SAPC needs to ensure that deficiencies noted by the State during utilization reviews are corrected.

Recommendations

Substance Abuse Prevention and Control management:

- 3. Work with the State to establish a formal process to more effectively communicate the results of each other's monitoring reviews and to provide each other with updated dispositions of poorly performing Drug Medi-Cal providers.**
- 4. Ensure that provider deficiencies noted in the State's utilization review reports, sent to the Department of Public Health, are corrected.**

DMC Program Claiming Process

The County-contracted DMC providers are paid monthly based on a fee-for-service contract. At the end of the fiscal year, the County-contracted DMC providers submit a cost report which is reviewed by SAPC, and request payment for the lower of their actual costs to provide services, or the total fees earned for the number of units claimed, up to their approved budget. During FY 2012-13, SAPC paid the County-contracted DMC providers approximately \$80 million.

The State requires DPH to pay the County-contracted DMC providers before the State adjudicates the claims. As a result, DPH is responsible for collecting from the County-contracted DMC providers any disallowed billings that may occur when the State does not approve a claim.

According to SAPC, the County-contracted DMC providers submit their claims electronically to SAPC by the 10th of each month for services provided during the previous month. SAPC generally pays the County-contracted DMC providers by the 25th of the month. At the end of the month, SAPC forwards the claims, received by the County-contracted DMC providers, to the State for its review and approval. The State notifies SAPC within ten days, and SAPC notifies the DMC providers of the denied claims usually within five days.

SAPC currently does not have access to information to permit it to validate claims prior to submitting the claims to the State. According to SAPC, approximately \$500,000 (6%) of its monthly claims totaling \$8.2 million are denied by the State and approximately 50% (\$250,000) of the claims that are initially denied are revised, resubmitted, and eventually approved by the State. The remaining claims, which historically have totaled

approximately \$250,000 per month (\$3 million annually), stay denied and should be repaid by the provider. However, SAPC waits until the end of the fiscal year to collect the denied claims from the providers. SAPC should reconcile and track claims denied by the State and require the DMC providers to resubmit the corrected valid claims, or repay SAPC, within 60 days of being notified of the denied claims.

SAPC should obtain access to information to allow it to validate the monthly claims before submitting the claims to the State. This would greatly reduce the amount of provider denied claims and disallowed billings. According to SAPC, having access to the State's Medi-Cal Eligibility Data System file would allow SAPC to validate the claims prior to submission.

Recommendations

Substance Abuse Prevention and Control management:

- 5. Reconcile and track claims denied by the State and require the Drug Medi-Cal providers to resubmit the corrected valid claims, or repay the Substance Abuse Prevention and Control, within 60 days of being notified of the denied claims.**
- 6. Work closely with the State and other County departments to gain access to information that will allow it to validate claims before submission to the State to minimize disallowed billings.**

Disallowed Billings and Collections

SAPC records DMC denied claims as accounts receivable because it anticipates recouping the funds when the DMC providers resubmit corrected claims or when the DMC providers repay SAPC for disallowed billings. SAPC may request a cancellation of an accounts receivable when it determines the receivable is uncollectable.

On August 9, 2013, SAPC requested the cancellation of \$8.4 million in long-term receivables that SAPC indicated were related to DMC billings that the State denied for Minor Consent services during FYs 2006-07, 2007-08, and 2008-09. SAPC indicated that it did not attempt to collect the amount of the denied claims from the DMC providers since the denied claims were the result of the State retroactively changing its policy regarding Minor Consent services. Instead, SAPC filed an appeal with the State to contest these denied claims. DPH and County Counsel are currently negotiating a settlement with the State.

As of September 2013, SAPC's accounts receivable balance included \$6.4 million from DMC providers that were terminated from June 2008 to July 2013. The accounts receivable balance represents amounts owed from the terminated DMC providers that have gone uncollected. SAPC referred approximately \$1.7 million to the Treasurer and

Tax Collector (TTC) for collection. SAPC needs to refer the remaining \$4.7 million to TTC for collection.

SAPC needs to implement a more aggressive collection process to collect disallowed billings from providers that no longer have a County contract and refer the providers to TTC in accordance with Section 10.2.2 of the County Fiscal Manual.

Recommendations

Substance Abuse Prevention and Control management:

- 7. Refer the \$4.7 million that the terminated Drug Medi-Cal providers owe Substance Abuse Prevention and Control to the Treasurer and Tax Collector immediately.**
- 8. Implement a more aggressive collection process to collect disallowed billings from providers that no longer have a County contract.**

DPH DMC Provider Monitoring and Staff Qualifications

DMC program monitoring is performed by SAPC. Annual program monitoring consists of unannounced site-visits that include reviews of client charts, billings, policies, insurance coverage, staffing levels, and personnel files for documentation to support proper employment, background checks (if required), and qualifications.

DMC fiscal monitoring is performed by DPH's Contract Monitoring Division (CMD). Fiscal monitoring includes reviewing financial records for appropriate documentation and record keeping, fiscal viability, and billing substantiation. CMD samples expenditures, reconciles the provider's cost reports to its financial records, and evaluates the provider's internal controls.

According to SAPC, DMC program monitors verify background checks for provider employees that interact with minors. The contract does not require providers to obtain background checks for employees not working with minors. If the State expands its certification process to include background checks of the DMC providers that includes all key employees, SAPC should periodically contact the State for the current status of the key employees for County-contracted DMC providers. If the State does not include background checks as part of its certification process, SAPC should amend its contracts to require background checks of individuals holding key positions.

We reviewed the staff qualifications for seven DMC monitoring positions. Specifically, we reviewed the personnel files for three DMC program monitors and four fiscal monitors for documentation to support their qualifications. Program monitor positions generally require at least two years prior experience, preferably with social service programs. Fiscal monitor positions require graduation from an accredited college with a specified number of accounting units, and higher positions require prior experience.

The program and fiscal monitors had the appropriate qualifications to fulfill their job duties.

SAPC planned to conduct program reviews of every DMC provider once a year (approximately 130 reviews per year) and CMD planned to conduct fiscal reviews of every DMC provider once every three years (approximately 45 reviews per year). DPH's target frequency of monitoring reviews appears appropriate.

During FY 2012-13, SAPC conducted 113 program reviews and CMD conducted 20 fiscal reviews. Lack of staffing has impacted SAPC's ability to achieve its targeted monitoring goals. As of September 18, 2013, SAPC had 13 unfilled program monitoring positions, and CMD had five unfilled fiscal monitoring positions. DPH needs to maintain sufficient staffing to perform its planned monitoring reviews. DPH indicated that it has been working with the Department of Human Resources but has had difficulty finding qualified individuals to fill these positions.

Recommendations

Department of Public Health management:

- 9. Amend its contracts to require background checks for individuals holding key positions if the State does not expand its certification process to include fingerprint background checks.**
- 10. Continue to work with the Department of Human Resources to find qualified individuals to fill the vacant monitoring positions in order to achieve its targeted monitoring goals.**

SAPC Contract Monitoring Resolution and Reporting

SAPC should improve the contract monitoring resolution process to ensure all monitoring results are resolved in a uniform manner. SAPC has not always imposed uniform contractual remedies against poorly performing contractors or aggressively worked to collect disallowed billings identified during its monitoring reviews.

In June 2010, SAPC issued a memo to all providers stating that certain contract monitoring findings, such as pre-generated medical waivers, backdated treatment plans, and pre-dated progress notes, would result in immediate termination. In some cases, SAPC did not terminate providers as required by its June 2010 memo. SAPC indicated that they focused on technical assistance and provider support, rather than acting quickly to impose contractual remedies, such as termination of poorly performing contracts, to ensure an adequate number of providers. According to SAPC, its monitoring reviews identified only a small number of poorly performing contractors where SAPC chose to provide technical assistance in lieu of termination.

During FY 2012-13, SAPC's program monitoring reviews identified \$451,900 in questioned costs. Examples of questioned costs include fees billed for missing medical waivers, progress notes, or sign-in sheet signatures. As of October 2013, SAPC collected \$48,317 (11%) of the \$451,900 in questioned costs. According to SAPC, most of the remaining \$403,586 will be collected within six months. SAPC indicated that during FY 2011-12, its program monitoring reviews identified \$204,165 in questioned costs, of which \$124,135 (61%) has been collected.

According to SAPC, its policy is to negotiate and establish a Plan of Payment with each provider when disallowed claims are identified. However, SAPC does not always formalize the Plans of Payment by requiring signed agreements between DPH and the DMC providers that provide details of the negotiated repayment plan including timeframes for repayment and penalties for late or missing payments. SAPC needs to implement a more aggressive collection process and maintain formal signed repayment agreements between DPH and the DMC providers.

According to SAPC staff, written reports detailing the results of the monitoring review are issued to SAPC management but copies of the reports are not always sent to DPH executive management or other County officials unless requested. As a result, DPH executive management may be unaware of poorly performing DMC providers. DPH needs to establish decision protocols to clearly determine when to elevate the results of its monitoring reviews to DPH executive management and other high-level County officials. The protocols need to include when to report poorly performing contractors in the Contractor Alert Reporting Database.

Recommendations

Substance Abuse Prevention and Control management:

- 11. Improve its contract monitoring resolution process to ensure all monitoring results are resolved in a uniform manner.**
- 12. Implement a more aggressive collection process to recover disallowed billings identified during its monitoring reviews.**
- 13. Ensure formalized repayment agreements are established when disallowed billings are identified during its monitoring reviews. Each formalized repayment agreement should be signed by the Department of Public Health and the Drug Medi-Cal provider, and provide details of the negotiated repayment plan, including timeframes for repayment and penalties for late or missing payments.**
- 14. Establish decision protocols to clearly determine when to elevate the results of its monitoring reviews to the Department of Public Health executive management and other high-level County officials and when**

to place poorly performing contractors in the Contractor Alert Reporting Database.

SAPC DMC Provider Benchmarks

SAPC worked with UCLA's Integrated Substance Abuse Programs to develop benchmarks to evaluate DMC provider performance. The benchmarks primarily evaluate client lengths of stay in the DMC provider's treatment programs.

SAPC uses an online system to track the performance of the DMC providers relative to the developed benchmarks. The DMC providers are required to enter data in the online system and review their performance quarterly.

If the provider does not meet one or more of the benchmarks by the end of each fiscal year, then the provider shall submit a performance improvement plan to SAPC by September 15th of the next fiscal year. In addition to providing a performance improvement plan, providers that fall below 20% on one or more of the benchmarks shall also participate in a process improvement activity that addresses the benchmark requiring improvement.

During FY 2012-13, 57 (39%) of the 147 DMC providers did not meet one or more of SAPC's targeted benchmarks. In addition, 40 of the 57 providers fell below 20% on one or more of the benchmarks. SAPC did not always ensure that the under-performing DMC providers submitted performance improvement plans timely. Specifically, SAPC indicated that the 57 providers did not submit their performance improvement plans for FY 2012-13 by September 15, 2013 as required. According to SAPC, the performance improvement plans will be submitted within the next couple of months.

In addition, SAPC indicated that it only evaluates DMC provider performance outcomes from the online system once a year during the program monitoring reviews even though contractors are responsible for meeting performance benchmarks quarterly. SAPC needs to review provider performance from the online system quarterly in order to provide more timely technical support to providers that are not achieving their targeted benchmarks.

Recommendations

Substance Abuse Prevention and Control management:

- 15. Ensure that performance improvement plans are submitted and evaluated timely.**
- 16. Review provider performance reported on the online system quarterly in order to provide more timely technical support to providers that are not achieving their targeted benchmarks.**

SAPC-Recommended Program Enhancements

In its July 26, 2013 memo to your Board, DPH outlined a number of concerns about the structure and operation of the DMC Program. We evaluated the following five SAPC-recommended enhancements intended to improve the integrity of the DMC Program and hold providers more accountable:

1. Review the feasibility of limiting Minor Consent services, which are State-funded.
2. Pursue revisions to California Code of Regulations Title 22, Section 51341.1 (h)(1) [Admission criteria and procedures], to only allow the use of waivers if the beneficiary's most recent documented physical examination was completed within one year of the assessment.
3. Clearly define "medical necessity" in admitting or qualifying individuals eligible for DMC services.
4. Limit the number of clients in a group session for Day Care Habilitative services.
5. Require that an assessment using a reliable and validated assessment tool be completed within 14 days of intake.

Based on interviews with DPH management and documentation provided by SAPC staff, we agree that SAPC's five recommendations will enhance the integrity of the DMC Program and improve services to its clients.

Recommendation

- 17. Substance Abuse Prevention and Control management continuing working with the State to implement the recommended enhancements to the Drug Medi-Cal Program.**

Additional Concerns

The DMC Program is a complex alcohol and drug program with unique characteristics. During our audit of the DMC Program, we encountered difficulty in obtaining information timely or that was fully responsive to our requests. In several instances, it appeared the delays may be related to records maintained by DPH that were not sufficiently organized or complete. For example, SAPC and CMD had difficulty providing the number of program and fiscal monitoring reviews of DMC providers that were conducted last year. We eventually obtained the numbers after several follow-up inquiries.

Due to the limited time we had to complete our audit, we were not able to fully evaluate the causes of the delays to obtain information, or the incomplete responses to our inquiries. In addition, the scope of our review was limited to a few key areas of the

DMC Program. Therefore, DPH management should consider having an operational review conducted to evaluate additional areas for possible improvements.

Recommendation

- 18. Department of Public Health management consider having an operational review conducted to evaluate additional areas for possible improvements.**